

City of Seattle

Office of City Auditor



Susan Cohen, City Auditor

Date: July 14, 2003

To: Mayor Greg Nickels, City of Seattle
Councilmember Richard McIver, Chair, Housing, Human Services & Community
Development Committee

From: Susan Cohen, City Auditor *SC*

Subject: Office of Housing Organizational Review

A City Council proviso to the adopted 2003 budget directs the Office of City Auditor to report on the Office of Housing staffing and organizational structure. At the request of the Office of Housing, our review was completed in two phases.¹ The first phase was completed in February with the release of the *Office of Housing Staffing Review Management Letter*, which responded to the Council's questions on the reasonableness of filling two vacant Office of Housing planning and development positions.² This management letter responds to Council questions regarding the Office of Housing's organizational structure.

Introduction and Background

Due to a City reorganization and an estimated \$60 million general fund revenue shortfall for 2003, the Office of Housing's budget and staffing were substantially reduced in 2003. General Subfund contributions to the Office of Housing decreased by approximately \$1.4 million, and Community Development Block Grant funding declined by \$1.2 million. Total staffing was reduced by 13.75 full-time equivalent positions. Currently, the Office of Housing has an adopted capital budget of approximately \$34.2 million and an operating budget of approximately \$4.4 million that includes funding for 43.5 full-time positions.

This review of the Office of Housing organizational structure is based on a staff-to-manager ratio analysis and comparative housing agency survey. Organizational structures and staff-to-manager ratios are important, because they determine the way tasks are delegated to units and sub-units. Many organizations can increase their efficiency and effectiveness by thoughtfully redesigning organizational structures and more fully utilizing top management. Although no single structure is ideal for all organizations due to varying institutional objectives and characteristics, management experts generally agree that an organization's efficiency can be improved by

¹In April 2003, the Director reorganized the Office of Housing to provide for the effective implementation of the planned 2003 work program following substantial year-end 2002 staff reductions. The 2003 Office of Housing organization chart is contained in Appendix 1.

²Following the release of the February management letter, the Council authorized the Office of Housing to fill one of the two vacant positions. The Office of Housing does not plan to seek authorization to refill the second vacancy.

increasing its ratio of staff to managers.³ Our review of the Office of Housing's staff-to-manager ratio and comparative housing agency survey included:

- An analysis of the Office of Housing's organizational charts and ratios of staff to managers for its four lines of business in 2002 and 2003;
- Interviews with all managers and supervisors as well as select non-supervisory personnel in the four Office of Housing lines of business to assess the unique characteristics of their responsibilities and direct reporting relationships;
- Reviews of Office of Housing classification and compensation data, job descriptions, and sample work products; and
- A comparison of the Office of Housing's staff-to-manager ratio to the staff-to-manager ratios for Washington State and other local government housing organizations.

We also utilized the standards and data developed in two previous Office of City Auditor studies on staff-to-manager ratios in reviewing the Office of Housing's organizational structure.

Analysis and Observations

Exhibit 1 below displays the staff-to-manager ratios in the Office of Housing's four lines of business and its overall staff-to-manager ratio.

Exhibit 1 Office of Housing 2003 Staff-to-Manager Ratio				
Lines of Business	Top Management	Management and Supervisors	Non-Management	Staff to Manager Ratios
Multifamily Production and Preservation Program	1.4	1.0	8.5	3.5:1
Homeownership Assistance and Sustainability Program	0.6	2.0	11.0	4.2:1
Strategic Planning, Program and Resource Development Program	1.2	0.0	3.0	2.5:1 [†]
Administration and Management Program	0.8	3.0	10.0	2.6:1
Office of Housing Total	4.0	6.0	32.5	3.25:1
Top management includes Executive 3, Executive 2 and Manager 3 positions shown in the 2003 organizational charts. The Manager 2 positions were categorized with other Office of Housing supervisory positions.				

As shown in Exhibit 1, the Office of Housing's overall 2003 staff-to-manager (or supervisor) ratio is 3.25, ranging from 2.5 in the Strategic Planning, Program and Resource Development

³Condensed from Office of City Auditor, *Ratio of Staff to Manager in City Government*, 1996. The report is available at <http://www.seattle.gov/audit>.

Program to 4.2 in the Homeownership Assistance and Sustainability Program. The 2002 staff-to-manager ratio increased from 3.17 to 3.25 in 2003 with the elimination of two supervisory positions during the budget process. The improved ratio was achieved when the new Office of Housing Director consolidated reporting relationships to a single supervisor in the Strategic Planning, Program and Resource Development Program and consolidation in the Administration and Management Program during an internal reorganization in early 2003.

The Office of Housing indicated that two of the positions, the Homeownership Program Manager and Communication Director, have working management titles, neither position is formally classified as a manager or director. Both positions do have supervisory responsibilities, but supervisory responsibilities comprise a relatively low percentage of their job duties. The Office of Housing estimated that only 25 percent of the new Homeownership Program Manager's time and 20 percent of the Communications Director's time were allocated to supervisory activities, and suggested that these percentages should be used to calculate its staff-to-manager ratio. Office of Housing management indicated that the staff-to manager ratio would increase to 4.17 if only the percentages of time allocated to supervisory activities for two positions were included in calculating its 2003 ratio. Although methodologies for calculating staff-to-manager ratios vary, the approach suggested by the Office of Housing is not consistent with the methodologies identified or applied in the two prior studies of staff-to-manager ratios.

The Office of Housing's current staff-to-manager ratio is below the Citywide average of 6.1 reported in 1997,⁴ and was also below the staff-to-manager ratios for other public and private organizations reviewed in our earlier study. Consequently, we considered qualitative factors that could influence the Office of Housing's lower staff-to-manager ratio, such as the complexity of work, similarity of activities performed, degree of risk and public scrutiny, qualifications and experience of staff, and extent of managers' non-supervisory responsibilities. Office of Housing management indicated that its organizational structure was based on the need for a management or supervisory employee to oversee each distinct program area within the four Office of Housing lines of business. In addition, the lower staff-to-manager ratio was justified on the basis of the differences in technical skills needed to effectively manage each program area (e.g. multifamily production, homeownership, housing rehabilitation and weatherization), complexity of its housing projects and transactions, and the myriad of federal, state and local laws and policy requirements that vary by program area. The Department of Finance concurred with this rationale.

We then compared the Office of Housing staff-to-manager ratio to those for the Washington State Housing Finance Commission and other local government housing agencies, and determined that the surveyed housing agencies' ratios were generally lower than the City's 1997 average ratio. The Washington State Housing Finance Commission, a larger housing organization that provides similar housing and financial services to the Office of Housing has an estimated staff-to-manager ratio of 4.7. The staff-to-manager ratios for the three local

⁴*City Responds Positively To Recommendations Made In Our 1996 Report: Ratio of Staff to Managers in City Government*, 1997, page 4.

government housing agencies ranged from a low of 2.6 in Portland to a high of 4.7 in Oakland.⁵ The Office of Housing's ratio of 3.25 compared more favorably to the overall average staff-to-manager ratio of 4.4 for all four state and local government housing agencies.

In addition to comparing staff-to-manager ratios, the Office of Housing suggested that the ratio of total capital budgets to the total to the number of full-time equivalent personnel is another factor to consider in measuring the efficiency of housing organizations. Although we believe that the actual expenditures would more accurately reflect the production level of personnel in developing housing properties and facilities within the community, comparative expenditure and performance data was not available.

Exhibit 2 below, however, does display the Seattle Office of Housing staff and capital resources to those of other local government housing agencies.

Exhibit 1			
Office of Housing 2003 Staff-to-Manager Ratio			
Housing Jurisdiction	Capital Budget	Full-Time Equivalent Staff	Capital Budget Per Full-Time Equivalent Staff
King County	\$19,200,000	36.17	\$530,000
Oakland	9,400,000	30.50	308,000
Portland	18,000,000	22.00	827,000
Seattle	\$34,200,000	43.25	\$790,000
Note: The above data was provided by the Office of Housing and has not been audited. Audit staff did request and verify information that was readily available from other jurisdictions. Source: Office of Housing Budget Survey, 2003.			

As shown in Exhibit 2 above, the City of Seattle has the largest capital budget compared to the local housing agencies surveyed. The Office of Housing also had the second highest level of funding per full-time equivalent staff. Thus, the Office of Housing suggested that it is attaining productivity levels that are higher than two of the four housing agencies surveyed.

⁵A staff-to-manager analysis was performed for the Washington State Housing Finance Commission; cities of Oakland Housing and Community Development Division and the Portland Bureau of Housing and Community Development; and King County Housing and Community Development Division based on 2003 organization charts.

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We appreciate the excellent cooperation and collaborative efforts of the Office of Housing management and staff during the review process. If you have any questions or comments, please contact me (233-1093), Susan Baugh (684-3431) or Wendy Soo Hoo (615-1117).

SC:SB:WSH:tlb

cc: Jan Drago, Chair, City Council Finance, Budget, Business and Labor Committee
Katie Hong, Director, Office of Housing
Andrew Lofton, Chief of Departmental Operations, Mayor's Office
Regina LaBelle, Counsel to the Mayor, Mayor's Office
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APPENDIX 1

OFFICE OF HOUSING 2003 ORGANIZATIONAL CHART

